

Message Text

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11

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 GSA-02 L-03 H-03 INT-08

PA-03 PRS-01 USIA-15 DODE-00 SPC-03 AID-20 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DRC-01 /184 W
----- 075361

R 270745Z SEP 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 8297

INFO AMEMBASSY LONDON

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

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E.O. 11652: N/A

TAGS: EIND ETRD CH US

SUBJ: PRC CY 1974 FERROUS SCRAP REQUIREMENTS

REF: (A) PEKING 1080; (B) STATE 183681

SUMMARY: CONGEN AGREES WITH USLO PEKING (REF A) THAT PRC IS LIKELY TO SEEK TO IMPORT ABOUT ONE MILLION TONS OF FERROUS SCRAP IN CY 74. CONGEN HAS NOTHING TO ADD TO OTHER POINTS ADDRESSED. END SUMMARY.

1. CONGEN PREDICTION ON CY 74 SCRAP IMPORTS IS BASED ON FOLLOWING RATIONALE.

A. CHINA'S STEEL PRODUCTION IN 1972 WAS 23 MILLION METRIC TONS (NCNA PEKING 1/3/73), AN INCREASE OF 9.5 PERCENT OVER 1971. ASSUMING AN ANNUAL INCREASE
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OF 10 PERCENT IN 1973 AND 1974, STEEL PRODUCTION

WOULD BE ABOUT 25 AND 28 MILLION METRIC TONS RESPECTIVELY.

B. THE PROPORTION OF SCRAP USED IN STEEL REFINING BY VARIOUS PLANTS IN CHINA VARIES FROM 30 PERCENT TO 40 PERCENT PER LOAD. INCREASED USE OF TOP-BLOWN OXYGEN CONVERTERS MAY BRING THE PERCENTAGE HIGHER, SAY TO 50 PERCENT. ASSUMING AN AVERAGE RATIO OF 40 1 034:3,5, PRODUCTION OF 28 MILLION METRIC TONS OF STEEL IN 1974 WOULD REQUIRE OVER 11 MILLION METRIC TONS OF SCRAP. CHINA CLAIMED TO HAVE COLLECTED DOMESTICALLY SOME 10 MILLION METRIC TONS OF SCRAP IN 1972 (NCNA PEKING 12/27/72) AND 9.3 MILLION METRIC TONS IN 1971 (NCNA PEKING 1/29/72). PROCUREMENT OF 11 MILLION METRIC TONS OF SCRAP FOR 1974 THUS APPEARS FEASIBLE.

C. POSSIBLE SOURCES ARE: (I) SCRAP GENERATED AND RETRIEVED IN COURSE OF STEEL REFINING, ABOUT 5.6 MILLION METRIC TONS (200 KG. SCRAP FROM EACH TON OF STEEL PRODUCTED, ACCORDING TO TA KING PAO, 6/12/64) WHICH LATEST ESTIMATE AVAILABLE TO CONGEN; (II) SCRAP GENERATED AND RETRIEVED FROM USE OF STEEL BY MACHINE-BUILDING INDUSTRY AND ARMAMENT INDUSTRIES, ABOUT 2.5 MILLION METRIC TONS (100 KG. SCRAP FROM EACH TON OF STEEL USED, ALSO ACCORDING TO TA KUNG PAO, 6/12/64 USE OF 25 MILLION TONS OF STEEL HEREIN ASSUMEE); (III) BALANCE OF ABOUT 3 MILLION METRIC TONS TO BE OBTAINED FROM SCRAP COLLECTION AT HOME AND PURCHASES FROM ABROAD.

D. THE AMOUNT OF THIS BALANCE TO BE PURCHASED FROM ABROAD IS DIFFICULT TO ESTIMATE. SCRAP PURCHASES FROM ABROAD HAVE BEEN, RARELY IN LARGE QUANTITIES. BUT SCRAP COLLECTION AT HOME HAS BEEN GOING ON RATHER EXHAUSTIVELY FOR MANY YEARS AND IT IS QUESTIONABLE WHETHER THE INCREASING NEEDS OF A GROWING INDUSTRY CAN BE SO MET YEAR AFTER YEAR. IN AN NCNA DISPATCH OF AUGUST 17, 1973, INCREASE OF 7.8 PERCENT IN SCRAP COLLECTION IN THE LIMITED OFFICIAL USE

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FIRST SIX MONTHS OF 1973 OVER THE SAME 1972 PERIOD, A NOTE OF CONCERN CAN BE FOUND IN ITS ALSO URGING THE REDOUBLING OF EFFORTS AND BETTERING OF ORGANIZATION WORK. WITH A PRODUCTION INCREASE OF TWO TO THREE MILLION METRIC TONS OF STEEL PROJECTED FOR 1974, IT MAY BE NECESSARY TO IMPORT 1.0 TO 1.2 MILLION METRIC TONS FROM ABROAD. THE ORDER ALREADY PLACED FOR 350,000 TONS OF U.S. SCRAP (PEKING 0687) SUGGESTS

THIS TREND OF DEVELOPMENT.

2. CONGEN CONCURS WITH PEKING 1080, PARA. 4 AND 5, CONCERN-
ING PRC SCRAP BUYING PATTERN AND EXPORT CONTROLS.
OSBORN

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